THE MYSORE STATE AID TO INDUSTRIES ACT, 1959.

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MYSORE ACT No. 8 OF 1960.

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THE MYSORE STATE AID TO INDUSTRIES ACT, 1959

(*As amended by Act 3 of* 1964)

(*Received the assent of the President on the Twenty-second Day of February* 1960).

An Act to consolidate and amend the laws regulating the giving of aid by the Government to industries in the State of Mysore.

WHEREAS it is expedient to consolidated and amend the laws relating to the regulation of the giving of aid by the Government to industries in the State of Mysore;

BE it enacted by the Mysore State Legislature in the Tenth Year of the Republic of India as follows:—

1. *Short title,extent and commencement.*—(1) This Act may be called the Mysore State Aid to Industries Act, 1959.

(2) It extends to the whole of the State of Mysore.

(3) It shall come into force at once.

2. *Definitions.*—In this Act, unless the context otherwise requires,—

(*a*) "Corporation" means the Mysore State Financial Corporation established under the State Financial Corporations Act, 1951 (Central Act 63 of 1951);

(*b*) "cottage industry" means an industrial business or enterprise carried on in any premises not being a factory as defined in the Factories Act, 1948 (Central Act LXIII of 1948);

(*c*) "Government" means the State Government;

(d) "industry" means any industrial business or enterprise conducted or undertaken either by an individual or by a company, association or body of indivuiduals, whether incorporated or not;

(*e*) "prescribed" means prescribed by rules made under this Act;

(*f*) "small scale industry" means an industrial business or enterprise in which the capital invested does not exceed five lakhs of rupees;

(*g*) "village industry" means any industry which forms the normal occupation, whether whole-time or part-time, of any class of the rural population of the State.

3. *No aid except in accordance with the provisions of this Act.*—No aid shall be given by the Government to any industrial business or enterprise except in accordance with the provisions of this Act.

4. *Industries to be aided.*—(1) The industries to which aid may be given under this Act shall be such as have an important bearing on the economic development of the country and shall be:

(*a*) new or nascent industries, or

(*b*) industries to be newly introduced into areas where such industries are undeveloped, or

(*c*) small-scale industries, or

(*d*) cottage industries, or

(*e*) village industries, or

(*f*) old or established industries:

Provided that aid shall not be given to any old or established industry unless the Government is satisfied that special reasons exist for giving such aid:

Provided further that aid shall not be given under this Act to,—

(*i*) any industrial concern to which financial assistance may be given by the corporation to the extent to which such assistance can be given under the State Financial Corporations Act, 1951;

(*ii*) any industry which is a village industry as defined in the Mysore Khadi and Village Industries Act, 1956, and for which assistance is provided for by the Khadi and Village Industries Commission constituted under the Khadi and Village Industries Commission Act, 1956 (Central Act 61 of 1956).

(2) Every recipient of aid under this Act shall make such provision for the training of apprentices as the Government may, from time to time, prescribe.

(3) The decision of the Government as to whether the conditions of this section are fulfilled shall be final and shall not be called in question in any court of law.

5. *Method of giving State aid.*—Subject to the provisions of this Act and of the rules made thereunder, the Government shall

have power to give aid to an industrial business or enterprise in one or more of the following ways :—

(*a*) by granting a loan ;

(*b*) by guaranteeing a cash credit, overdraft or fixed advance with a bank ;

(*c*) by paying a subsidy, in the case of a cottage industry or village industry for any purpose, and in the case of any other industry for the conduct of research or the purchase of machinery ;

(*d*) by subscribing for shares or debentures ;

(*e*) by making a grant on favourable terms of land, material, firewood or water ;

(*f*) by supplying at concessional rates any machinery or part of a machinery.

6. *Grant of aid through the Corporation.*—The Government may, subject to such terms and conditions, as the Government may deem fit, enter into contract with the Corporation for purposes of the Corporation acting as an agent of the Government in the transaction of any business with an industrial concern in respect of loans or advances granted, or debentures subscribed, by the Government.

Explanation.—For purposes of section 4 and this section "industrial concern" shall have the same meaning as in the State Financial Corporations Act, 1951 (Central Act 63 of 1951).

7. *Procedure relating to grant of State aid.*—Applications for grant of State aid shall be made to such authorities and shall be considered and dealt with in such manner as may be prescribed.

8. *Grant of loans.*—No loan shall be granted of an amount exceeding seventy-five per cent of the net value of the assets of the industrial business or enterprise and of any other property offered as collateral security for the loan, after deducting in both cases existing encumbrances, such value to be ascertained by such person as may be appointed by the Government and in accordance with such rules as may be prescribed ; for the purpose of this valuation the additional assets which may be created by the expenditure of the sums granted may be taken into account to such extent as may be prescribed.

9. *Loans how secured.*—Every loan granted under this Act shall be secured by a mortgage or floating charge upon the whole of the assets of the business or enterprise, subject to any encumbrances existing at the time of the grant, and by such collateral security, if

any, as may be required by the Government, and shall bear interest payable on such dates and at such rates as the Government may determine.

10. *Inspection and returns.*—In any case in which a loan has been applied for under this Act, the applicant, and at any time during the currency of a loan that has been granted under it, the grantee shall be bound—

(*a*) to comply with any general or special order of the Government relative to the inspection of the premises, buildings, or plant or stock in hand of the industrial business or enterprise;

(*b*) to permit the inspection of all accounts relative to the industrial business or enterprise;

(*c*) to furnish full returns of all products manufactured or sold both as regards description and quantity and of all works in progress;

(*d*) to maintain such special accounts or to furnish such statement as the Government may, from time to time, require;

(*e*) to submit the accounts of the industrial business or enterprise to such audit as the Government may precribe.

11. *Control of business assisted.*—Notwithstanding anything contained in any law, in any case in which a loan is granted under this Act, amounting to two lakhs of rupees or upwards, the Government may, by the appointment of Government directors or otherwise, take power to ensure such control over the conduct of the business or enterprise as shall suffice in its opinion to safeguard its interests.

12. *Repayment of loans.*—(1) Every loan granted under this Act shall be made repayable by instalments within such period from the date of the actual advance of the loan, or when the loan is advanced in instalments, from the date of payment of the last instalment, as may be fixed by the order granting the loan.

(2) The period fixed as aforesaid shall not exceed ten years unless the Government shall, by general or special order, extend the same.

13. *Guaranteeing of loans by banks.*—No guarantee of a cash credit, overdraft or fixed advance with a bank shall be given except under the conditions prescribed in sections 8, 9, 10 and 11 in respect of loans.

14. *Exemption of small and cottage industries.*—Save as otherwise may be prescribed by rules made under this Act, nothing in sections 8, 9, 10 and 13 shall apply to any industrial business or

enterprise with a capital outlay not exceeding five thousand rupees or to cottage industries.

15. *Subscriptions for shares or debentures.*—The condition of subscription by the Government for shares and debentures of any industrial business or enterprise shall be that the business or enterprise shall be subject to the conditions of section 10 in respect of inspections and returns as well as of the provisions of section 11 in respect of Government control:

Provided that for all shares subscribed by the Government, there must be taken up and fully paid for not less than such number of shares as may be fixed by special or general order of the Government.

16. *Subsidy by the Government.*—The conditions of a grant of subsidy or of the grant of Government land, raw material, firewood or water on favourable terms, shall ordinarily be that an amount equal to the sum paid or to the value of the grant or concession as fixed at the time when it is made, shall be repaid to the Government at the close of a fixed term of years, if within that term the industrial business or enterprise shall be shown to be paying interest or a dividend upon the capital invested in excess of such rate as the Government may fix:

Provided that no subsidy (to an industry other than a cottage industry or village industry) shall exceed forty per cent of the cost of the research or of the cost of the machinery, as the case may be.

17. *Disposal of profits when condition of State aid is not fulfilled.*—No recipient of State aid shall pay any dividend or distribute or take any profits in excess of such percentage rate upon the amount of the capital of the industrial business or enterprise as the Government may fix from time to time until the conditions on which the State aid has been granted are fulfilled. The balance of the profits, after setting aside proper amounts for depreciation or obsolescence of plant and buildings, and for the payment of interest on debentures of loans, shall be carried to a reserve fund to be utilized in such manner as the Government may approve.

18. *Methods of recovery of money due.*—(1) All moneys payable under this Act, including any interest chargeable thereon and costs, if any, incurred, if not paid when due, may be recovered from the person aided and his surety, if any, as if they were arrears of land revenue.

(2) In the event of the borrower contravening any of the provisions of this Act, and in particular of sections 10 and 17, the whole of the amount of aid and all moneys due from such person may be recovered from the person aided or his surety in one lumpsum as if they were arrears of land revenue.

19. *Power of Government to terminate aid.*—(1) The Government may for reasons to be recorded in writing by order terminate aid in respect of an industrial business or enterprise on any of the following grounds, namely :—

(i) that any portion of the aid given has been misapplied, or

(ii) that there has been a breach by the person in receipt of the aid of the provisions of this Act or of any rule made thereunder or of any condition of the grant, or

(iii) that the application on which the aid has been granted contained, or was accompanied by, any material statement by the applicant which he knew to be false, or any intentional concealment by him of any material fact, which in the opinion of the Government it was his duty to disclose, or that any such false statement or concealment was intentionally made in any inquiry made under this Act by or with the connivance of the applicant or in any return under this Act, or in reply to any requisition for information under this Act, or

(iv) that the industrial business or enterprise is being managed in such a manner as to endanger the repayment of the value of aid granted thereto repayable under this Act.

(2) Where an order terminating the aid is made under subsection (1), then, notwithstanding anything contained in this Act or in any other law, the Government may proceed to recover from the grantee of the aid, as arrears of land revenue—

(*a*) the entire amount of any loan outstanding, together with such interest as may be due thereon, or

(*b*) in cases where the aid is given otherwise than by loan, the money value of the grant as fixed at the time when it was made, together with interest at a rate not exceeding nine per cent, from the date of the grant till the date of realisation, and

(*c*) in the cases mentioned in clause (*a*) or clause (b), the cost of recovery, and, if the Government so directs, the the cost of any inquiry made in connection therewith.

(3) An order made under this section, shall be final and shall not be called in question in any court of law.

20. *Fees.*—The Government may charge in respect of applications, inquiries, inspections and audit by whomsoever made under this Act, such fees, as may be prescribed.

21. *State aid granted prior to commencement of Act.*—Any aid given by the Government to any industry prior to the commencement of this Act under the Bombay State-aid to Small-scale and Cottage Industries Rules, 1935, as applicable to the Bombay Area and the State Aid to Industries (Coorg) Rules, 1951, shall be deemed to be aid given under this Act and all the provisions of this Act and of any rules made thereunder shall apply to such aid and such industry as if such aid was given to such industry under this Act.

22. *Powers of Government as regards starting or carrying on industries and giving aid of certain kinds.*—Nothing in this Act shall be held to debar the Government—

(*a*) from starting or carrying on any industrial business or enterprise.

(*b*) from assisting an industrial business or enterprise by agreements to purchase on business terms the whole or a portion of the products of the same ;

(*c*) from assisting an industrial business or enterprise by giving gratis or on favourable terms, the services of Government official or experts either in the capacity of advisers or for a limited period for starting or carrying on such business or enterprise ;

(*d*) from assisting an industrial business or enterprise in connection with industrial education or the training of apprentices ;

(*e*) from assisting a village industry in any manner which may be determined by the Government.

[1][22A. *State aid in respect of generation of electrical energy.*—Notwithstanding anything contained in this Act, the Government may, if in its opinion it is expedient so to do, by order, grant, whether prospectively or retrospectively, to any new or nascent industry, an annual subsidy for such period, as may be specified in such order, of an amount not exceeding fifty per cent of the difference between the cost incurred by the industry during the year for the generation of the quantity of electrical energy consumed during that year and the price chargeable by the Mysore State Electricity Board for the same quantity of electrical energy produced by hydro-electric project during the same year.

Explanation.—For purposes of this section the cost incurred by the industry, and the price chargeable by the Mysore State Electricity Board, shall be determined by the Government in such manner as it deems fit, and its determination shall be final.

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1. Ins. by Act 3 of 1964.

23. *Power to make rules.*—(1) The Government may, subject to the condition of previous publication, by notification in the official Gazette, make rules for carrying out the purposes of this Act.

(2) In particular and without prejudice to the generality of the foregoing power, the Government may make rules regulating all or any of the following matters :—

(i) the classes of industrial businesses or enterprises to which and the purposes for which aid may be given ;

(ii) the manner of making applications for State aid and the information to be given in such applications, provided that no such rules shall require any applicant or grantee of aid to divulge any information relating to the technical details of any process of any patent owned by him ;

(iii) the manner of conducting inquiries and the matters to be specially inquired into in dealing with applications for State aid ;

(iv) the mode of ascertaining the value of the assets of an industrial business or enterprise ; or of any property offered as collateral security for a loan ;

(v) the nature of the security to be taken for the due application of loans and grants and the rates of interest at which and the conditions under which loans or grants may be given, and the creation of a mortgage, floating charge or collateral security under section 9 ;

(iv) the inspection of the premises, buildings, plant and stock on hand and the accounts of any industrial business or enterprise for which State aid has been granted ;

(vii) the mode of keeping and auditing the accounts and of furnishing returns of any industrial business or enterprise in respect of which State aid has been granted ;

(viii) the appointment and functions of Government directors or the prescribing of other methods of control of industrial businesses or enterprises in respect of which State aid has been granted ;

(ix) the application of profits in cases in which the conditions under which loans or grants have been made have not been fulfilled ;

(x) the guaranteeing by the Government of cash credits, overdrafts or fixed advances by banks and the recognition of banks for this purpose ;

(xi) the fixing of the period for the payment of loans and the conditions and dates of the repayment of subsidies and grants ;

(xii) the recovery of any moneys due under this Act ; and

(xiii) the conditions under which and the security on which loans shall be granted or guarantees of a cash credit, overdraft or fixed advance with a bank given to the industries referred to in section 14.

(3) All rules made under this Act shall be laid as soon as may be after they are made before each House of the State Legislature while it is in session, for a total period of thirty days which may be comprised in one session or in two or more sessions and if before the expiry of that period, either House of the State Legislature makes any modification in any rule or directs that any rule shall not have effect, and if the modification or direction is agreed to pay the other House such rule shall thereafter have effect only in such modified form or be of no effect, as the case may be.

24. *Repeal and savings.*—(1) The Mysore State Aid to Industries Act, 1951 (Mysore Act XX of 1951) as in force in the Mysore Area, the Madras State Aid to Industries Act, 1922 (Madras Act V of 1923) as in force in the Madras Area and the Hyderabad State aid to Small Scale and Cottage Industries Act, 1956 (Hyderabad Act VII of 1956) as in force in the Hyderabad Area are hereby repealed:

Provided that the provisions of section 6 of the Mysore General Clauses Act, 1899 (Mysore Act III of 1899) shall be applicable in respect of the repeal of the said enactments and sections 8 and 24 of the said Act shall be applicable as if the said enactments had been repealed and re-enacted by this Act.